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SUBJECT: THAILAND JOINS ASEAN-KOREA FTA

¶1. (SBU) Thai trade officials announced January 3 that Thailand had agreed to sign on to the ASEAN-Korea Free Trade Agreement (AKFTA) after negotiating bilateral concessions from the Koreans. Thailand was the last ASEAN member to agree to the trade deal. Thai negotiators had refused to sign the agreement in late 2006 in protest of Korea's insistence that rice be excluded from reductions of tariffs or quotas. Ms. Sunanta Kangvalkulkij, senior expert at the Department of Trade Negotiations, said Korea had conceded that Thailand could delay reduction of tariffs for sensitive imports like steel and leather from 2010-2012 to 2016-2017.

¶2. (SBU) Sunanta said Thai negotiators had been under pressure to come to agreement from the private sector which had lost competitiveness to other ASEAN members in their trade with Korea. In addition, Thai officials realized that exclusion from the AKFTA soon would have raised difficulties for their integration with the ASEAN Economic Community. Thailand had earlier insisted it would not sign on to the goods chapter of the AKFTA without further reductions of rice quotas and barriers on other agricultural products. Unable to make headway on agriculture, the Thais nevertheless plan to revive discussions on rice and other agricultural products with Korea when the FTA is reviewed in 2012.

¶3. (U) ASEAN and Korea are scheduled to meet next week in the Philippines to continue negotiations on investment, the third and final chapter in the FTA. An agreement on services was reached in November 2007. The agreements on both goods and services remain unofficial until parliamentary approval is obtained. Thailand recently held national elections and a new parliament is not expected to sit until late January.

JOHN